[COMMITTEE PRINT]

VIEWS

OF THE

Committee on Appropriations

United States Senate

together with

Additional Views

ON THE

FIRST CONCURRENT RESOLUTION ON THE BUDGET

FISCAL YEAR 1983

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INTRODUCTION

The Committee on Appropriations submits the following report setting forth its views and estimates on the President's fiscal year 1983 budget request, in accordance with section 301(c) of the Congressional Budget Act of 1974.

The President's budget request was transmitted to Congress only 28 days ago. While the Committee has held 4 days of overview hearings on the budget and the economy, and several subcommittees have begun hearings on the individual elements of the President's request, it is premature for the Committee to make precise recommendations on fiscal year 1983 budget authority and outlay totals for the spending authority within its jurisdiction. This is especially true in light of the Budget Committee's request, pursuant to a congressional directive in the Second Concurrent Budget Resolution for fiscal year 1982, that the Committee submit its report by March 8, 1 week earlier than the law requires.

It is the Constitutional duty of the Congress, embodied in the appropriations process, to undertake thorough and detailed analysis of the President's request before enacting into law the appropriations acts authorizing the executive to draw tax dollars from the Treasury for the operations of the Government.[1] The Committee and its 13 subcommittees hold scores of hearings over several months, hearing from hundreds of witnesses from the public and private sectors, reviewing thousands of pages of testimony, before attempting to mark up and recommend appropriations bills to the Senate. The Committee must examine the budget on an exacting, line-by-line basis, not merely in terms of functional aggregates. Before reaching any conclusions on appropriate funding levels, the Committee must consider all testimony, the requests of Senators, the action of the House, the desires of the administration, changing economic circumstances, and technical issues of scorekeeping and spending reestimates. All of these factors are critical to the Committee's determination of prudent spending levels. Were the Committee to make its decisions prematurely, without consideration of all these factors, it would shirk its responsibility to the Congress and the taxpayer.

Congress recognized the importance of this process in two aspects of the Congressional Budget Act. First, it extended the beginning of the fiscal year from July 1 to October 1, allowing 3 more months for congressional action. Second, it clearly established the first concurrent resolution on the budget as a tentative measure, proposing overall spending targets rather than establishing binding ceilings. The wisdom of these actions has been demonstrated by the experience of the past several years. Congress has been barraged by budget resolutions, spending rees-

[1] Article 1, section 9, paragraph 7, Constitution of the United States of America.

timates, supplementals, rescissions, deferrals, budget amendments, and continuing resolutions that have overcrowded the congressional schedule, brought the budget process into disrepute, and disrupted the orderly financing of the Government. Congress needs both the time and the flexibility to adjust to changing circumstances. Acting prematurely to establish binding ceilings may promote the appearance of fiscal discipline, but at the cost of ignoring reality. The Committee is concerned, therefore, about recent proposals to make the first concurrent resolution binding, and believes such action would be most unwise.

For these reasons, the Committee emphasizes that its recommendations are only tentative, preliminary estimates provided as guidance to the Budget Committee for the purpose of proposing nonbinding targets in the first concurrent resolution on the fiscal year 1983 budget. The Committee has a long tradition of exercising fiscal restraint, and will continue to achieve reductions wherever possible.

SUMMARY OF RECOMMENDATION

The President's fiscal year 1983 budget totals $801.9 billion in budget authority and $757.6 billion in outlays. Of this amount, total budget authority within this Committee's jurisdiction is $467.1 billion and outlays are $454 billion, as estimated by the President.

The Committee notes that the President's budget levels are predicated on events occurring outside the control of the appropriations process. These include reduced and, in some cases, restructured authorization legislation, changes in entitlement legislation, legislative proposals not yet transmitted to the Congress, and unspecified "management savings." Should all these events occur as the President proposes, the nondefense appropriations levels implicit in the fiscal year 1983 budget are well below levels provided last year.

The Committee believes that a total level of $463.2 billion in budget authority and $450.0 billion in outlays, within this Committee's jurisdiction, is possible for fiscal year 1983. This is the low range of the Committee estimate and assumes enactment of legislative savings in excess of the $10 billion level of savings proposed by the President.

In making this "low-range" estimate, the Committee is trying to demonstrate the significant potential for reduced spending that is possible if the authorizing committees act swiftly and decisively in the area of entitlements and on the question of indexing. The Committee recognizes this will not be easy. The fact remains, however, that action needs to be taken to restrain the growth of a number of major programs over which the Committee can exercise little or no control. In addition, substantial savings are possible if action is taken on other entitlement programs which do not fall under the Committee's jurisdiction. All of these entitlements are either directly indexed to inflation through cost-of-living adjustments, or rise in a more general manner as the volume and cost of services goes up.

The Committee has included in its estimate a total of $488.9 billion in budget authority and $471.7 billion in outlays which represents the high range of spending within its jurisdiction. This estimate, while in

aggregate less optimistic as to the prospects of substantial legislative savings, does not fully include all possible contingencies and requirements which may arise in the forthcoming fiscal year.

The Committee, however, feels that the range encompassed by these two levels represents a realistic estimate of the most likely level of spending required for the 13 appropriations bills under this Committee's jurisdiction. Confronted with a persistent and substantial Federal deficit, the Committee remains committed to achieving the greatest level of budgetary savings possible, and, therefore, has as its goal spending even below the low estimate. It is obvious that entitlement programs and other legislatively established spending must bear the largest share of this burden.

The Committee discussed a number of strategies toward achieving greater budgetary savings. For example, legislative proposals restraining entitlement growth for programs, funded in appropriation bills, to the current inflation rate of 4 percent in those areas where the budget has not proposed major entitlement reforms, could save roughly $4 billion. Further restraint in their growth, or an absolute freeze, could save more. Another proposal was the denial of any cost-of-living Federal pay increase during fiscal year 1983, which could save about another $7 billion.

The Committee also discussed other proposals to limit the increasing cost of programs not even financed through appropriations bills. The Congressional Budget Office has estimated savings as high as $7.6 billion if the cost-of-living adjustment for such programs were held to 4 percent.

The Committee reiterates that it hopes to achieve the lowest level of spending possible and urges the authorizing committees to expeditiously consider legislation which will make this achievement possible as well as to take some of the budget pressures off the already hard hit discretionary areas.

The following table shows the Committee's recommendations by subcommittee:

FISCAL YEAR 1983

[In billions of dollars]

Subcommittee	President's budget		Low appropriation estimate		High appropriation estimate	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
AGRICULTURE	25.0	18.9	25.0	18.9	29.0	22.9
DEFENSE	249.8	210.1	245.7	205.9	249.8	210.1
DISTRICT OF COLUMBIA	0.6	0.6	0.6	0.6	0.6	0.6
ENERGY-WATER	13.2	12.7	13.2	12.7	13.8	13.5
FOREIGN OPERATIONS	11.7	9.5	11.7	9.5	11.7	9.5
HUD	-42.3	55.4	42.3	55.4	43.8	56.7
INTERIOR	6.9	7.8	6.9	7.8	8.5	8.8
LABOR-HHS	79.5	93.5	79.5	93.5	89.7	99.8
LEGISLATIVE	1.4	1.4	1.4	1.4	1.4	1.4
MILITARY CONSTRUCTION	8.2	6.4	8.2	6.4	8.2	6.4
STATE-JUSTICE	[1]8.7	[1]9.3	8.7	9.3	9.4	10.0
TRANSPORTATION	10.5	19.4	10.5	19.4	[2]11.6	[2]20.9
TREASURY	10.5	10.3	10.5	10.3	10.6	10.4
UNASSIGNED	- 1.2	- 1.3	- 1.0	- 1.1	.8	.7
TOTAL	467.1	454.0	463.2	450.0	488.9	471.7

[1] Includes $265 million for Legal Services Corporation.

[2] Assumes no enactment of new user fees.

THE IMPACT OF DEFICITS

The Committee finds the deficits projected for fiscal years 1983, 1984, and 1985 to be dangerously large, and is mindful that even those projections rely on achievement of the President's $55.9 billion of outlay savings and economic assumptions which are not universally accepted. While the Committee recognizes the contention that the deficit as a percentage of the gross national product has been larger in previous years, it remains deeply concerned about the effect Government borrowing to finance the deficit through fiscal years 1983–85 will have upon already excessive interest rates and the amount of investment necessary to revitalize the economy.

However, the Committee is limited in its ability to significantly reduce the deficit in the near term. It is constrained by the necessity to maintain an adequate defense and social programs, and by the dwindling share of budget outlays that are controllable by action on budget authority in any given year. For example, even if fiscal year 1983 relatively controllable outlays for nondefense discretionary programs could be entirely eliminated through budget authority reductions, the Federal budget would still be far from balance.

ECONOMIC OVERVIEW

The Committee has recently concluded 4 days of economic overview hearings, designed to provide a perspective on the economy—the background for the appropriations decisions to be made on fiscal year 1982 supplementals, rescissions and deferrals, and the President's fiscal year 1983 budget request.

Witnesses included Treasury Secretary Donald Regan, OMB Director David Stockman, Council of Economic Advisors Chairman Murray Weidenbaum, and CBO Director Alice Rivlin. Dr. Rivlin unveiled CBO's reestimate of the President's fiscal year 1983 budget, an analysis prepared at the Committee's request. Federal Reserve Chairman Paul Volcker presented testimony on the interrelationship of fiscal and monetary policy, and a number of nongovernment economists presented their views of the economic outlook and their prescriptions for a return to a healthy economy.

The Committee took notice of the substantial drop in inflation in 1981 and the first months of 1982. Although there is disagreement as to the cause of the decline, the results are significant. Lower inflation will act to hold down increased spending for the 86 programs, such as social security, directly or indirectly tied to increases in the Consumer Price Index or other indicators.

While inflation has subsided temporarily as the primary economic concern, other problems have surfaced. As stated earlier, the Committee is deeply concerned about the record deficits being projected for the next few years by the administration, CBO, and private forecasters. As we look ahead, deficits do not shrink slowly into surpluses; rather, deficits remain unacceptably large, even with optimistic economic projections. This is a major reversal.

Administration spokesmen are confident that the increased personal savings to be generated by the Economic Recovery Act of 1981 will provide the necessary pool of credit for both Government and private borrowing, and that the interest rates will thereby fall. Others were not as optimistic. Mr. Volcker, for example, urged Congress to make major inroads into the deficits, predicting that interest rates might drop as much as 2 or 3 percent on the commitment that Congress would reduce the fiscal year 1983 deficit by $20 billion.

A corollary effect of these deficits is to generate even greater deficits, by increasing the costs of servicing the national debt. That cost is already in excess of $100 billion a year, nearly 12.7 percent of estimated Federal outlays in fiscal year 1983.

Clearly strong action is required. Without further action by Congress to narrow the gap between revenues and outlays, CBO projects that the Federal deficit will reach $157 billion next year, and $208 billion by 1985. The administration's estimate is $146 billion for 1983, and $168 billion for 1985.

The Committee has not adopted a definite set of economic assumptions for the purpose of preparing the budgetary estimates which appear in this report. It is clear from the wide ranging opinions of the witnesses appearing before the Committee that substantial uncertainty exists with respect to the economic outlook. Furthermore, it is quite evident that the effects of governmental action, especially tax policy and entitlement spending decisions, will be very significant factors in determining the timing and extent of restoration of the economy. These decisions, of course, are outside the spending jurisdiction of the Committee.

However, the Committee strongly recommends that the economic assumptions adopted in the budget resolution reflect a relatively conservative assessment of the prevailing economic conditions and the prospects for improvement during fiscal year 1983. Experience with the projections of economic conditions underlying the first budget resolutions of recent years clearly shows that there is a strong bias to provide an overly optimistic estimate of the actual economic performance. This failure to project factors accurately has yielded unrealistic estimates of entitlement costs, which when revised within the constraint of an overall outlay ceiling bring even greater pressures on the discretionary activities under this Committee's jurisdiction.

DISCRETIONARY SPENDING

The Committee is very concerned that the President's budget again has targeted discretionary nondefense spending for further significant reductions as part of his budgetary strategy. Of the $239 billion budget savings plan proposed for the next 3 fiscal years, the President has identified 32 percent as reductions in discretionary programs; this despite the fact that such spending constitutes only about 14 percent of the Federal budget, including outlays from prior-year budget authority. Entitlement spending and other fixed costs, on the other hand, which make up nearly 60 percent of Federal outlays, have been pegged for only 22 percent of budgetary savings.

This disparate treatment of discretionary Federal spending becomes even more serious since discretionary nondefense outlays have been declining in nominal terms since fiscal year 1981, and clearly are not the root problem in the growth in the cost of Government. Hopes of balancing the budget with further significant reductions in this small portion of Federal activities are simply ill-founded, especially in the face of continued rapid growth in indexed entitlements and defense outlays.

While discretionary spending is often pejoratively associated with a monolithic and faceless Federal bureaucracy, even a cursory examination of these programs yields a far different perception. Included in this category are all Federal research activities, which have been responsible for incredible advances in agricultural productivity, medical science, energy sources and conservation, environmental protection, transportation and a vast array of other fields which improve the lives of all Americans every day. Other discretionary programs provide for needed Government regulation to prevent unsafe or contaminated foods and drugs from reaching consumers, protect the environment, assure fair competitive market practices, and other needed services which individual citizens cannot provide efficiently on their own. Other discretionary spending supports law enforcement activities and other public safety functions. These and the many other discretionary Federal activities cannot continue to address adequately the real human and social needs which exist in this country in the face of further significant reductions in funding. It is becoming increasingly apparent that the only truly discretionary aspect about these programs is that their financing is not established in an enacted formula. There is no other significant distinction between these needed and valuable services and those which are mandated in a law previously passed by Congress.

This Committee will continue to scrutinize closely the budget for each program and agency, and eliminate waste, fraud, and abuse. Beyond that, the Committee will engage in the difficult task of establishing priorities for the needs of our society and deciding which of them cannot be met within the budgetary constraints of the Federal Government. This process, however, ill serves the taxpayers and the Nation if it is limited or biased against those programs which happen to receive annual appropriations. Priority setting must apply to all governmental functions, and must apply equally so that limited Federal resources are devoted to those activities which best address the needs of all Americans.

It has been aptly pointed out that an annual appropriations act is a law which has just as much legal significance as any other law, and that those laws enacted earlier establishing entitlement programs or other so-called mandatory programs are no less subject to congressional action. The only distinction is that Congress must act affirmatively to provide an appropriation while entitlements continue from year-to-year, unless amended. Given the magnitude and seriousness of the economic problems confronting the Nation, and the degree of sacrifice that is required to correct these problems, it is imperative that the limited legislative

91-711 O - 82 - 2

difference between discretionary and entitlement programs be cast aside in the process of establishing budgetary priorities.

DEFENSE SPENDING

The Committee is mindful of the extraordinary pressure which the President's proposed increase in defense places on funding for the rest of the Government. As defense expenditures grow from 24 percent of the budget in fiscal year 1981, to 29 percent of the proposed budget in fiscal year 1983, nondefense discretionary programs will shrink from 21 to 14 percent.

Neither does the Committee ignore the role of defense function spending in increasing an already large projected deficit. The President's proposed budget of $263 billion in budget authority for fiscal year 1983 provides 13 percent real growth over fiscal year 1982, an increase of $44 billion.

In spite of these economic implications, the Committee recognizes the importance of providing for a strong national defense in order to deter foreign aggression. The increases in defense spending proposed by the President reverses a 10-year decline in military support. Within that context, the Committee will scrutinize all proposed defense expenditures to assure that funds are provided for a strong, yet affordable defense.

The Committee also recognizes the very real danger of treating the budget solely as an annual exercise in holding down the deficit, and will not succumb to it. The historic attention to budget authority rather than outlays by this Committee reflects the critical need to keep a close watch on long-term budget trends. Providing a quick-fix to short-term deficit problems by reducing expenditures which have high outlay rates, without regard for the consequences, must be avoided.

It is in the defense budget, particularly, where such shortsightedness can have serious fiscal, as well as programmatic consequences. Almost one-half of the 1983 proposed defense budget is devoted to modernization (procurement of weapons and research and development), which has far greater cost implications in the outyears, than do so-called readiness programs, where spending rates occur in the year they are appropriated. The Committee recognizes an increasing dilemma as the share of outlays for modernization from prior-years' funding rises steadily from 30 percent in 1982 to 41 percent in 1987.

This figure does not even reflect the average rate of cost-growth for major weapons systems which, according to the Congressional Budget Office, exceeds 3.5 percent annually, excluding inflation. For these reasons, the Committee will pay particular attention to procurement and research and development activities of the Defense Department to assure that each proposed weapon system is in fact integral to the Nation's defense needs, and that an effective balance between readiness and modernization can be maintained within existing budgetary constraints.

CREDIT ACTIVITIES

The Committee is supportive of the goal of reducing Federal credit activities to the minimum level necessary to meet social and economic needs of the Nation. There is a growing consensus that Federal intervention in the private credit markets of the Nation in the form of direct lending and loan guarantees has significantly contributed to higher interest rates. This credit demand, along with borrowing necessary to finance the Federal debt, is consuming an increasing proportion of the funds available in private credit markets and serves not only to increase demand, and thereby interest rates, but also to crowd out potential borrowers who cannot afford the higher interest rates.

Questions do remain, however, on the degree that Federal credit activities impact on private credit markets relative to direct expenditures of the Federal Government and financing of the Federal debt. While there is no doubt that a loan made by the Government is less significant than an outright grant and that a Government guarantee of repayment of a loan made by a private lender has even a lesser impact on the economy, there is no generally accepted formula through which the levels of these diverse transactions can be compared on a common economic basis.

Further complications exist in the wide variety of credit activities, especially to the extent that some are already controlled through the unified Federal budget. For example, several direct lending programs require direct appropriations for the principal amount of new loans while others such as the Federal Financing Bank are off-budget and derive capital needs through borrowing from the Treasury. Some loan guarantee accounts require an appropriated reserve, others do not. Some credit programs involve a direct interest subsidy, many do not. The widely varying nature of Federal credit programs also has a very differing impact on private credit markets. Some programs involve very little risk or subsidy (some even make money) and are designed to merely make more efficient allocations of credit. Others are heavily subsidized and very risky, and are only slightly removed from what would otherwise be a direct grant.

With no systematic means of assessing these and other factors in particular credit programs, aggregate lending limitations across the Federal Government may not yield actual reductions in adverse effects on private credit markets. In fact, a general limitation may cause a greater concentration in the use of the more heavily subsidized programs which have the greatest distorted impact on the private credit markets.

The Committee does agree, however, that these concerns should not preclude the establishment of ceilings on lending for individual credit programs, where such ceilings do not pose unwarranted administrative or programmatic burdens. This has been the policy of the Committee for several years, and the Committee expects that continued efforts will yield a higher proportion of programs covered by limitations in the future. Establishment of such ceilings will be made on a program-by-program basis.

In general, the Committee agrees that the growth in the volume of Federal credit programs must be brought under control and reversed. This goal, however, cannot be allowed to substitute for careful consideration of individual program requirements and priorities. As noted above, credit assistance sometimes can serve as a means of addressing needs which otherwise would require more costly direct Federal grants. During a period in which many direct expenditure programs are being phased out, credit assistance may play an important role in the transitional period to final termination of governmental involvement.

Since such assessments of program requirements cannot be made except in the context of the review and consideration of the rest of the fiscal year 1983 budget, it is not possible to provide a sound estimate of aggregate lending levels this early in the year. It is the Committee's intent, however, to remain within current levels for discretionary credit activities as a general proposition, although individual program levels may be increased or decreased from this target.

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES

The administration's fiscal year 1983 budget request for programs within the subcommittee's jurisdiction totals $24.6 billion in obligational authority and $18.9 billion in outlays.

The President's budget would achieve the majority of its savings, $3.7 billion, through legislative changes in the child nutrition and food stamp programs, as well as through a transfer of the women, infants, and children (WIC) and the elderly feeding programs to the Department of Health and Human Services. The Committee notes that the Omnibus Budget Reconciliation Act of 1981 already achieved $3.6 billion in savings for the food stamp and child nutrition programs in fiscal year 1983, and the Congress rejected the transfer of WIC and elderly feeding last year. Therefore, the Committee believes the savings assumed by the President for these programs will be difficult to achieve.

The President's fiscal year 1983 budget requests $3.8 billion to reimburse the Commodity Credit Corporation (CCC) for net realized losses. Recently, the Congress approved a $5 billion fiscal year 1982 emergency supplemental appropriation to enable CCC to cover previous losses. Still pending is the administration's fiscal year 1982 request for an increase of $5 billion in CCC's authority to borrow. The Committee recognizes that, due to continued low commodity prices, the cost of price support programs continues to increase. Thus, it believes that not only will the additional borrowing authority have to be provided, but also further funding requirements may become necessary.

The Committee believes that maintaining current funding for critical soil conservation and cost-share programs, as well as the animal and plant health programs of the Department, is in the long-term best interests of the country.

Certain rural lending programs, although off-budget, are being cut significantly in the President's budget. Farmers Home Administration loan levels, primarily for rural housing, are being cut over $4 billion. Rural Electrification Administration programs are being cut $885 million, in addition to the $1 billion reduction requested in the budget to be implemented in fiscal year 1982. Based on currently available information regarding the impact of these proposals on rural areas, the Committee considers reductions of this magnitude unwise.

DEFENSE

The Committee recommends for its high-range estimate for fiscal year 1983 levels of $249.8 billion in budget authority and $210.1 billion in outlays to cover military and related activities funded in the Defense appropriation bill. This recommendation supports the President's budget estimates to date together with estimated fiscal year 1983 outlays

from the pending military and civilian pay raise supplemental for fiscal year 1982. The totals also encompass anticipated supplemental needs involving military and civilian pay and legislative initiatives for fiscal year 1983.

These budget authority and outlay targets are considered prudent at this preliminary stage of the congressional budget and appropriations process because the Committee will require much more budget data from the Department and more time to analyze programs before solid spending projections are possible.

It should be stressed that the Committee is embarked on a serious effort to develop curbs in the sharp growth of military spending without impairing the readiness and modernization initiatives adopted by the President and the Congress just last year. But with 93 percent of the budgeted outlays devoted to pay, essential operations, and the spend-out of prior year appropriations, options are severely limited.

The Committee also hesitates to slow essential investments in the expansion and modernization of equipment and weapons systems. The President's budget features substantial forward funding for military procurement, providing more realistic cost estimates and achieving long-term savings through more economic production rates. This straightforward approach should not be discouraged.

However, reductions in both obligational authority and outlays may be available through program changes and restraints on the rate of program increases in some high outlay areas. These potential savings will be pursued during the Committee's hearings and program reviews.

In its low-range option, the Committee estimates budget authority and outlay reductions of $4.2 billion which would be geared to restrained fiscal policies adopted by the Congress.

District of Columbia

On February 8, 1982 the President transmitted his budget estimates for the District of Columbia government for the fiscal year ending September 30, 1983 in the amount of $579,870,000 in Federal funds. The Committee believes that these estimates are reasonable and expects that they will be adequate for the coming year.

The sum requested will require additional authorizing legislation in the amount of $24,400,000. The Committee expects that this authorization will be in place prior to final action on the 1983 request.

This request compares to an enacted amount of $557,170,000 in fiscal year 1982 or an increase of 4 percent in Federal funds.

The Mayor of the District on March 1, 1982 submitted the city's operating budget for fiscal year 1983 to the Office of Management and Budget, which currently has it under review. These recommendations, including expenditures of local revenues, will be transmitted on April 15, 1982.

Energy and Water Development

WATER RESOURCE DEVELOPMENT PROGRAMS

The proposed budget of the administration will continue construction of projects already underway. No new construction starts are contained in the 1983 budget request for the Corps of Engineers or the Bureau of Reclamation. Budget documents indicate that the administration will request appropriations of $48 million to initiate construction on various water resource projects that meet the administration's criteria for non-Federal financing and local cost sharing.

The budget proposal reduces the request for operation and maintenance for shallow draft harbors, waterways, and commercial ports by $150 million below normal funding levels. This reduction assumes the enactment of user fee legislation that has been introduced in the Congress. In the absence of its enactment, the Committee recognizes the funding requirements for authorized operation and maintenance.

It should be pointed out that severe storms have occurred in recent months in various parts of the Nation, which will require use of an already depleted emergency fund of the Corps of Engineers and the potential exists in other areas for further flooding. The proposed budget does not include a request to replenish the emergency fund. Therefore, additional funds may be required in order to respond to emergency work as the result of natural disasters.

ENERGY ACTIVITIES

The administration's budget proposal is based on both a reduced Federal role in nondefense related energy activities and the prospective dismantlement of the Department of Energy.

The budget indicates that legislation will be submitted to Congress that will transfer programs from DOE primarily to the Departments of Commerce and Interior. Reductions in some areas particularly in personnel appear to jeopardize any agency's ability to carry out the remaining programmatic responsibilities even if transfer is accomplished.

Funding for energy programs within the jurisdiction of this bill would increase by $907 million over fiscal year 1982 levels, of which $832 million is for atomic energy defense activities. Most of the increase in energy defense is directed toward increased testing and production of nuclear warheads for a number of weapon systems. Large increases are also proposed for the production of nuclear materials to meet increased warhead requirements and for the disposal of defense nuclear waste. In addition, a budget amendment is expected to propose a further increase of as much as $300 million in energy defense activities for a total increase in fiscal year 1983 of over $1 billion.

In nondefense areas, the budget proposes substantial overall reductions. Energy supply, research, and development activities would be decreased by $403 million under the reduced levels of last year. Major cuts of nearly 80 percent are proposed for the solar and renewable energy programs which in the past have enjoyed strong, bipartisan congressional support. Targeted for substantial reductions or elimination

are research and development activities in solar, geothermal, hydropower research, wind systems, biomass, and ocean energy systems. In the nuclear area, the budget includes an increase for the Clinch River Breeder Reactor, but makes reductions in other R. & D. activities. The administration proposes establishment of a nuclear waste disposal fund, with $185 million in borrowing authority in fiscal year 1983. After enactment of legislation, future funding for commercial waste would be derived from fees paid by utilities that operate nuclear powerplants.

The budget for the Federal Energy Regulatory Commission increases by $16 million to $92.5 million in fiscal year 1983. The increased level of funding, however, assumes the passage of legislation to increase revenues from licensing fees to offset $60 million of the program costs.

Bonneville Power Administration operates on a self-financing basis, generating revenues sufficient to recover costs, thus it requires no appropriations. The budget proposal provides BPA with increased borrowing authority needed to meet its expanded responsibilities pursuant to the Public Law 96–501, the Pacific Northwest Electric Power Planning and Construction Act.

INDEPENDENT AGENCIES

Appalachian Regional Commission.—The administration has again proposed the elimination of the Appalachian Regional Commission and transfer of the Appalachian highway program to the Federal Highway Administration. Congress has requested a report and plan for an orderly closeout of ARC programs. Continuation of the Appalachian development programs beyond 1982 will require reauthorization, and the use of the highway trust fund, as proposed by the administration, will require enactment of legislation.

Water Resources Council.—The proposed budget does not include funds to continue national water resources planning activities of the Water Resources Council. Continued funding of these activities would require reauthorization.

Nuclear Regulatory Commission.—The budget request of $479.5 million for the Nuclear Regulatory Commission is $13.8 million over fiscal year 1982. While slightly over the current year funding level, the proposed budget will result in some program reductions.

FOREIGN OPERATIONS

The fiscal year 1983 budget request for activities under the jurisdiction of the Foreign Operations Appropriations Subcommittee totals $11,720 million in budget authority and $9,455 million in outlays. This compares to a level of funding in fiscal year 1982, including requested supplementals, of $12,005 million in budget authority and $9,512 million in outlays.

The foreign assistance programs funded by the Foreign Operations appropriation bill are recovering from the adverse affects of having been funded under continuing resolutions for nearly 2½ years. The fiscal year 1982 appropriation bill is the first such legislation enacted into law since the fiscal year 1979 bill. This fact must be kept in mind while

analyzing suggested fiscal year 1983 levels of funding and in making comparisons with prior year funding levels.

While the fiscal year 1983 request very nearly equals the fiscal year 1982 appropriation, the administration is recommending significant changes within the overall program. The primary changes are dramatic increases in the security/military programs, coupled with deep cuts in Export-Import Bank activity. Accordingly, while the Committee believes it can live within the overall administration request, it is doubtful that the proposed changes will be adopted in their entirety.

All of the credit programs within the jurisdiction of the Foreign Operations appropriation bill are directly and legislatively limited. For fiscal year 1983 it is probable that the Congress will approve additions to the guaranteed program of the Export-Import Bank to at least this year's approved level, and it is probable that one of the changes described above would be to increase direct loan activity of the Export-Import Bank, again at least to current year levels. Otherwise, credit activity, as proposed by the administration, would be sufficient.

Department of Housing and Urban Development-Independent Agencies

Fiscal year 1982 background

The Housing and Urban Development-Independent Agencies appropriations bill provides funding for the Department of Housing and Urban Development and 18 agencies and offices.

Fiscal year 1982 base.—The fiscal year 1982 HUD-Independent Agencies Appropriations Act (Public Law 97–101) provided a total of $60.4 billion in budget authority and $57.1 billion in outlays ($33.5 billion new and $23.6 billion from prior year authority). The six large agencies (Housing and Urban Development, Veterans Administration, National Aeronautics and Space Administration, Environmental Protection Agency, Federal Emergency Management Agency, and National Science Foundation) account for about 92 percent of the total budget authority and 85 percent of the new outlays.

The President has transmitted an EPA supplemental of $2.4 billion for wastewater construction grants. In addition, the Committee expects to receive a pay supplemental of $0.3 billion. Other program supplementals are expected to total $0.1 billion in BA and $0.1 billion in outlays. With these supplementals, the fiscal year 1982 base would be $63.2 billion in BA and $57.5 in outlays.

The HUD Subcommittee has jurisdiction over $9.4 billion in new fiscal year 1982 rescissions and an increase in a previously approved rescission of $1.8 billion. All of these rescissions are for programs within the Department of Housing and Urban Development. The Committee expects to selectively restore funding for some of these programs. Such action is expected to reduce the fiscal year 1982 base by billions of dollars in BA, while increasing outlays by an estimated $0.2 billion. In addition, the Committee will review the need to provide advanced funding for such housing programs as may be authorized.

91-711 O - 82 - 3

FISCAL YEAR 1983 ESTIMATES

Fiscal year 1983 base.—The February 8 budget contains $41.5 billion in budget authority and $54.3 billion in outlays ($33.8 billion new and $20.5 billion prior). Additional requirements for pay supplementals could add another $0.3 billion in budget authority and outlays and the failure to enact proposed legislation (mostly Veterans Administration) would add another $0.3 billion in budget authority and $0.3 billion in outlays. The February 8 budget would, therefore, result in a total requirement of about $42.1 billion in budget authority and $55 billion in outlays.

Possible additions to the amended base.—Additions to the base of $0.8 billion in budget authority and outlays for VA compensation and pensions and $0.2 billion in budget authority and no outlays for a new HUD rehabilitation program are expected to be transmitted at a later date. Pressure to increase certain programs that have enjoyed broad popular support are expected to add another $0.8 billion in budget authority and $0.5 billion in outlays. Additionally, outlays of $0.5 billion in fiscal year 1983 are expected as a result of congressional action on fiscal year 1982 supplementals. In total, these requirements would result in a new adjusted total of $43.8 billion in budget authority and $56.7 billion in outlays.

Additional considerations.—The Committee notes that the HUD budget request has been reduced from a level of $22.6 billion in budget authority for fiscal year 1982 to $0.6 billion for fiscal year 1983. At this time, the Committee cannot predict whether congressional action will result in the development of new housing programs that will require substantial additional funding in fiscal year 1983.

The Committee is well aware of the sentiment of Congress regarding the role of the Appropriations Committee in setting credit control limitations as expressed in section 136 of Public Law 97–92. The HUD-Independent Agencies Subcommittee has over $100 billion in annual credit limitations under its jurisdiction. As in the past, the subcommittee intends to carefully weigh the need for extending Federal credit against its potential impact on the credit market.

Recapitulation.—The fiscal year 1983 budget request would reduce funding for programs in the HUD-Independent Agencies appropriations bill by an estimated $18.9 billion in budget authority and $2.8 billion in outlays from the fiscal year 1982 enacted level. The extent to which any of the legislative cost saving proposals or budget recommendations will be enacted is, at this time, uncertain. However, within the constraints of the authorizing legislation and the prevailing economic conditions, the Committee intends to achieve the levels specified in the section on "Possible additions to the amended base."

INTERIOR AND RELATED AGENCIES

The Interior and Related Agencies appropriations bill provides funding for the Department of the Interior (except the Bureau of Reclamation), the Forest Service, most of the nonnuclear and nondefense

related activities of the Department of Energy, and some 16 related agencies, including the Smithsonian Institution, Indian Health, Indian Education, the National Endowment for the Arts, and the National Endowment for the Humanities. The three largest agencies—Interior, Forest Service, and Energy—account for over 80 percent of the total budget authority considered by the Committee. Approximately 98.5 percent of this budget authority is for nonentitlement programs and thus considered discretionary.

Through the passage of the "Fiscal Year 1982 Interior Appropriations Act," Public Law 97–100, some $7,255,611,000 in new budget authority and $9,379,370,000 in budget outlays was provided. This represented a decrease of nearly 21 percent in new budget authority from fiscal year 1981. In addition to the new budget authority provided in Public Law 97–100, some $420 million in funds appropriated in previous years was made available in fiscal year 1982. Thus, the actual 1982 program level was some $7,675,926,000, a decrease of 16.2 percent from the fiscal year 1981 level.

As in previous years, the Committee will also be considering a supplemental request for a variety of programs, particularly fire suppression activities of the Park Service, the Fish and Wildlife Service, the Bureau of Land Management, the Bureau of Indian Affairs, and the Forest Service. The administration's 1982 supplemental request totals some $139,118,000.

For fiscal year 1983, the Committee will be reviewing a proposed budget of $6,855,863,000, a reduction of 35.2 percent from the fiscal year 1981 level and 10.7 percent from the 1982 program level. Associated outlays amount to some $7,764,189,000. Included among those programs reduced in fiscal year 1983 from the fiscal year 1982 levels are: the Bureau of Mines (−15 percent); Territorial Affairs (−18 percent); Fish and Wildlife Service (−7 percent); Indian Education (−34 percent); Indian Health (−5 percent); the National Endowments for the Arts and the Humanities (−28 percent); fossil energy R. & D. (−81 percent); and energy conservation (−95 percent).

Based on prior year experience, the Committee expects extensive efforts will be made to prevent further program reductions from the 1982 levels. Moreover, it is not unlikely that efforts will be made to actually increase several programs over the 1982 levels. Examples of programs which appear most vulnerable to sustain increases over the budget request include fossil energy R. & D.; energy conservation; economic regulation; strategic petroleum reserve; National Endowment for the Arts and Humanities; Indian Health and Indian Education; the Bureau of Indian Affairs; the Fish and Wildlife Service; the Land and Water Conservation Fund; historic preservation; and the payment-in-lieu-of-tax program. Committee projections indicate such additions could result in new budget authority of $8.5 billion and corresponding outlays of $8.8 billion.

LABOR-HHS-EDUCATION

The Committee estimates that it will need $89.7 billion[1] in budget authority for fiscal year 1983 for programs funded in the Labor, Health and Human Services, and Education appropriation bill. This amount will finance entitlement programs based on existing law and maintain most discretionary programs at the funding level for fiscal year 1982. While the administration projects budget authority requests that are $10.7 billion lower, its recommendations are based on the enactment of major legislative changes that include reforms in medicare, medicaid, and other open-ended spending programs (called entitlements) over which the Committee presently has little or no control, and on substantial reductions in funding below the fiscal year 1982 level for discretionary programs.

Given the uncertainty in Congress about budget policy for the new fiscal year, the Committee cannot automatically assume enactment of new legislation or substantial cuts in discretionary programs. However, it will be glad to take advantage of any changes, revising authorizations downward, that are made in time for consideration in the fiscal 1983 Labor-HHS-Education bill. Indeed the Committee, and particularly the Labor-HHS-Education Subcommittee, long have been concerned with the growth in the entitlements which consume about two-thirds of the funds available under the Labor-HHS bill, leaving less each year for important discretionary programs in health, education, labor, and other areas. Thus the Committee believes that reform of the entitlements is long overdue and that the relevant authorizing committees of Congress should take up the President's challenge in this session.

The Committee recommendations follow the prudent approach taken last year when it initially suggested amounts for Labor-HHS-Education based on existing law. At the time the Committee also was aware of major legislative changes in the offing, but wanted to have the benefit of the final results before adjusting its budget assumptions. As a result, the Labor-HHS-Education Subcommittee was able to adopt a fiscal 1982 ceiling allocation of $86.7 billion in budget authority, nearly $7 billion below the level of last year's March 15 report of $93.6 billion.

The Committee believes it should take the same approach in fiscal 1983 when the Committee must await congressional action on, or obtain further details regarding, Presidential proposals that include consolidation of employment, training, education, health and social services programs; transformation of the Department of Education into a foundation; reductions in funding for bilingual, handicapped, higher education, and student assistance programs; and major reforms of medicare, medicaid, and other entitlements.

The Committee is hopeful that Congress will produce further savings that then can be adopted in the fiscal 1983 Labor-HHS-Education appropriations bill. However, until those savings are forthcoming, the Committee's initial position will be to project a budget based on exist-

[1] This does not include approximately $6.2 billion in fiscal year 1984 and 1985 advance appropriations for medicaid, AFDC, and the Corporation for Public Broadcasting.

ing law and existing priorities for discretionary programs as established in fiscal year 1982.

This means assuming funding at fiscal 1982 enacted levels for most programs under the jurisdiction of this bill, and growth in entitlement programs only as provided by the requirements of existing statutes. If proposed legislative changes provide the anticipated savings, the Committee can reconsider and make controlled upward adjustments in essential health, education, labor, and other discretionary programs, but keeping in mind that under this scenario the overall trend of the new appropriation for Labor-HHS-Education will be down from existing law levels.

In addition, the Committee will look for ways through the funding of its priorities to eliminate waste, fraud, and abuse, stressing increased efficiency in the programs under its jurisdiction. The Committee also will review the new block grants to make certain that they are not used by the States to maintain layers of administrative personnel at the expense of cutting back on providers and essential services.

The Committee is assuming that unemployment, inflation, and interest rate levels will be in the range of current OMB and CBO estimates, but points out that these factors are outside the control of the Committee.

Legislative Branch

For fiscal year 1983, the Committee recommends a target of $1.4 billion for both new budget authority and outlays for the Legislative Branch appropriation bill. This amount is the same as that requested by the President, rounded to the nearest tenth of a billion dollars, the same as that requested by the Committee in our report last year.

Fiscal year 1982 appropriations, including supplemental requests not yet approved, total $1,388,162,108. The President's exact request this year is for $1,396,522,000, a very modest increase. Of the requested amount, $901,887,000 is for congressional operations, and $494,635,000 is for related agencies.

While setting a target of $1.4 billion, the Committee nevertheless intends to carefully review every account within its jurisdiction to ascertain whether savings can be accomplished.

Military Construction

Activities financed in the Military Construction bill include worldwide military construction as well as construction and operation and maintenance of military family housing.

The budget for the fiscal year 1983 military construction program includes a request in total obligational authority (TOA) of $5.4 billion for military construction requirements and $2.8 billion for the family housing account. If enacted as requested, the estimated outlays during fiscal year 1983 for the military construction program would be $6.4 billion.

The fiscal year 1983 budget reflects an increase of $900 million over the revised (September) budget of fiscal year 1982. The increase for this

fiscal year continues the policy of the administration to cut into the huge backlog of valid military construction requirements while meeting new requirements created by the introduction of new weapons systems and personnel assignments.

The Committee is only just beginning to review the justifications for the fiscal year 1983 budget request. During the hearing process, the Committee must carefully review the overall program which consists of more than 1,000 individual line items. While the Committee supports the goals of the military construction program as presented and initially believes the budget request to be adequate, the Committee finds it impossible at this time to recommend precise levels of budget authority and outlays for the fiscal year 1983 bill.

STATE, JUSTICE, COMMERCE, THE JUDICIARY, AND RELATED AGENCIES

For fiscal year 1983, $8,636,474,000[1] is requested in new budget authority for the departments and agencies under the jurisdiction of the State, Justice, Commerce, the Judiciary, and Related Agencies appropriation bill. In addition, the budget includes $454,010,000 for an appropriation to liquidate contract authority under the operating-differential subsidy program of the Maritime Administration. The amount requested is $77,492,000 more than 1982 appropriations to date and constitutes an increase of less than 1 percent. Due to the delayed submission of the 1982 supplemental requests for pay and unanticipated program requirements, the Committee is unable to estimate additional fiscal year 1982 requirements; however, these estimates could exceed $150 million. Thus, the 1983 budget estimate may be as much as $100 million less than actual 1982 appropriations. The following table compares the 1983 budget requests and the appropriations anticipated for fiscal year 1982.

[In thousands of dollars]

Department or agency	1982 enacted to date[1]	Proposed pay increase supplemental	Proposed program supplemental and rescissions	Combined amounts 1982	1983 estimate	Change
Department of Commerce	$1,755,478	([2])	-$10,079	$1,745,399	$1,364,010	-$381,389
Department of Justice	2,470,295	([2])	4,000	2,474,295	2,644,687	+170,392
Department of State	1,670,840	([2])	12,611	1,683,451	1,876,858	+193,407
The Judiciary	709,862	$21,793	2,350	734,005	835,413	+101,408
Related agencies	1,911,229	[3]603	10,000	1,921,832	[4]1,915,506	-6,326
Total	8,517,704	22,396	18,882	8,558,982	8,636,474	+77,492

[1] Provided in Public Law 97-92, making further continuing appropriations for fiscal year 1982. The amounts in this column reflect annual rates, although Public Law 97-92 expires in March 31, 1982.
[2] Estimates are to be submitted in the spring of 1982.
[3] This estimate is for the International Trade Commission which by law is not subject to OMB review.
[4] Includes $265 million requested by the Legal Services Corporation which by law submits its budget request directly to Congress. The President's budget does not include any estimate for the Corporation.

[1] The budget of the United States must, by law, include the request of the Legal Services Corporation as transmitted to Congress. Thus, the amount cited above includes $265 million requested in fiscal year 1983 by the Legal Services Corporation.

The budget request reflects the administration's policy to continue to reduce discretionary Federal spending, to transfer responsibility for certain programs to State and local governments or the private sector, and, where possible, to finance Government programs through user fees. Increased requests submitted for the Departments of State and Justice and for the Federal judiciary are more than offset by substantial reductions in appropriations for the Department of Commerce and some of the related agencies.

An examination of the 1983 budget request must, by necessity, begin with the understanding that substantial reductions have been achieved. Overall, the 1982 appropriations level is 11.5 percent below fiscal year 1981 and is 28.5 percent below fiscal year 1980. Reductions of this magnitude have been achieved although a significant portion of the budget is comprised of programs vital to the Nation's well being—particularly, the need to promote a stable international environment, to combat crime domestically, and to support a Federal judicial system. These areas of governmental service, uniquely the province and responsibility of the Federal Government, have been permitted modest growth in order to provide a degree of resource stability.

For this reason, aggregate statistics belie the fact that reductions have had to be concentrated in the commerce, natural resources, and development functions under the jurisdiction of the Committee. Excluding the budgets of the Departments of State and Justice, and the Federal judiciary, the net reduction in funding for all other agencies since fiscal year 1980 has been 51 percent. In fiscal year 1980, programs in the Department of Commerce and the related agencies comprised 62 percent of the bill. In fiscal year 1982, this share has been reduced to 43 percent. Under the current budget request, these programs will decline even further to comprise 38 percent of the budget under the jurisdiction of the Committee—a net reduction of 56 percent since 1980. The following chart illustrates shifts in funding levels and proportions which have occurred in this bill.

[Dollar amounts in thousands]

	1980	Percent of total	1982	Percent of total	1983	Percent of total
Department of State	$1,403,251	12	$1,670,840	20	$1,876,858	21
Department of Justice	2,475,400	21	2,470,295	29	2,644,687	31
The Judiciary	591,306	5	709,862	8	835,413	10
Department of Commerce and related agencies	7,450,530	62	3,666,707	43	3,279,516	38
Total	11,920,487		8,517,704		8,636,474	

The Committee will continue to conduct a thorough review of each budget estimate. Wherever possible, reductions will be made which are consistent with congressional policies and which will not impair an agency's ability to perform its mission. The Committee notes that to the extent additional reductions are proposed by the President, these reductions are once again concentrated in an ever-diminishing area of the bill. In many instances, enactment of significant reductions or termina-

tions would require the Congress to reverse itself and deny funds for activities and programs recently reauthorized and funded. These programs total in excess of $650 million and include: the Economic Development Administration; International Trade Administration, trade adjustment assistance grants; juvenile justice and delinquency programs of the Department of Justice; State and local drug grant program; the U.S. bankruptcy trustee program; Small Business Administration direct and guarantee loan program; the Asia Foundation; Sea Grant College program and a number of important national fisheries programs of the National Oceanic and Atmospheric Administration. Also, while increases are requested in some accounts in the 150 and 750 functions, the majority of these increases are uncontrollable costs related to personnel and other mandatory items.

The Committee has identified these and other areas of concern which could lead to changes or adjustments from the fiscal year 1983 budget estimates and submits the following comments concerning these areas:

INTERNATIONAL AFFAIRS—150

The budget request for the Department of State totals $1,876,858,000, an increase of $193,407,000 from 1982 appropriations to date. The increase is comprised largely of uncontrollable wage and price-related increases and mandatory increases to cover U.S. assessments to international organizations. Information available to the Committee also indicates the possibility that a budget amendment may be forthcoming to provide additional funds for enhanced security for diplomatic personnel abroad. The budget also requests an increase of $151,034,000 for the International Communication Agency, of which $96 million is for augmentation of Voice of America broadcasting capability and the remainder is necessary to cover mandatory cost increases.

The Committee and the Congress have supported recent efforts to expand VOA broadcasting; however, there has been increased concern that the educational and cultural affairs programs of the International Communication Agency have been underfunded with the result that the United States has fallen behind the Soviets in extending its influence in this important sphere.

No funds are requested for the Asia Foundation and the budget submitted for the Arms Control and Disarmament Agency is approximately 10 percent below 1982 appropriations.

SCIENCE AND TECHNOLOGY—300

The budget request for the National Oceanic and Atmospheric Administration at the Department of Commerce totals $749,629,000, a decrease of $98,441,000 from 1982 appropriations to date. This reduction from fiscal year 1982 assumes the enactment of legislation authorizing the collection of user fees to recover full costs for producing and distributing aeronautical and nautical charts, for LANDSAT data sold to nongovernment users, and for providing aviation weather services to be funded by the FAA airport and airways trust fund. If the various forms of legislation are not passed, and if the program levels are to re-

main constant, additional funding of $26,700,000 will be required to carry out the level of activity contemplated by the fiscal year 1983 budget.

Of great concern to the Committee is the fact that the fiscal year 1983 budget for the National Oceanic and Atmospheric Administration also contemplates a 26-percent (or $224 million) reduction in program levels as compared to fiscal year 1982 if legislative initiatives on user fees are adopted. The President has recommended the virtual elimination of all marine research and development grant programs, significant reductions for ongoing weather and satellite programs and ship support services, and termination of major fishery laboratories; all supported by the Congress in the fiscal year 1982 budget.

In addition, the budget request for the Patent and Trademark Office assumes the enactment of legislation authorizing higher fees for processing applications and permitting the use of such receipts to offset expenditures in fiscal year 1983, thereby reducing new obligational authority needed by $53,375,000 from the 1982 level. If such legislation is not enacted, the Patent and Trademark Office would be faced with severe program reductions under the level of new obligational authority proposed.

COMMERCE AND HOUSING CREDIT—370

The fiscal year 1983 budget for the newly authorized United States Travel and Tourism Administration reflects a 33-percent decrease from the level anticipated for fiscal year 1982 of $7,600,000.

There are also significant program reductions proposed for some of the regulatory commissions and agencies within the Committee's jurisdiction. The budgets for the Federal Communications Commission, Federal Maritime Commission, Federal Trade Commission, and the Securities and Exchange Commission reflect reductions in personnel from the fiscal year 1982 levels. The FTC's reduction of $7,936,000 is the most severe, representing an 11-percent reduction in funding and positions from the fiscal year 1982 appropriation of $68,774,000, and a larger reduction in real terms. This budget request represents a substantially reduced regional office structure from the 10 offices currently maintained with an average staff of 300 to 6 regional offices with an average staff of 150. The SEC's budget request of $84,300,000 represents an increase of $1,394,000 above the fiscal year 1982 level, yet will require the reduction of 125 full-time positions. Also, 60 additional positions are likely to remain unfilled in the fiscal year 1983 budget due to an increased lapse rate being assumed. These personnel reductions will substantially lessen the SEC's ability to review filings and conduct investigations. The FMC's fiscal year 1983 budget is $797,000 below the fiscal year 1982 level of $11,225,000 and will require a 10-percent personnel reduction. The FCC's budget request of $74,446,000 represents a reduction of $2,598,000 and 260 positions from 1982. The Committee will want to review these reductions of regulatory agencies very carefully in light of the effect of such reductions on statutory responsibilities.

In addition, the budget request for the Small Business Administration is $191 million below the amount appropriated for fiscal year 1982. This reduction is primarily due to the elimination of the direct business loan program and reduced levels for business loan guarantees and the surety bond guarantee program. While the Committee has supported modest shifts from the direct loan program to increase guaranteed lending, it is concerned that complete elimination of the program will have a substantial impact on some sectors of the small business community. The Committee also notes the action of the Congress in 1981 to specifically reauthorize this SBA program under the Omnibus Reconciliation Act of 1981. Furthermore, while the Committee has supported reductions in direct lending programs, it has consistently supported the growth of the SBA guaranteed lending programs. The recommendations with respect to the Small Business Administration must be evaluated in the light of the recent findings on the state of small business.

COMMUNITY AND REGIONAL DEVELOPMENT—450

The fiscal year 1983 budget request for the Economic Development Administration of the Department of Commerce proposes the termination of economic development assistance programs totaling approximately $200 million in fiscal year 1982, and elimination of the trade adjustment assistance grants of the International Trade Administration, which was funded at the $35 million level for fiscal year 1982. Focusing both on urban and rural areas of economic distress, these programs have produced substantial benefit in recent years and any request to terminate them deserves examination on the merits.

The Small Business Administration's Small Business Development Center program would be reduced from $14 million to $5 million in fiscal year 1983. No budget authority is requested for the disaster loan fund and the budget anticipates a program level $200 million below the current year.

ADMINISTRATION OF JUSTICE—750

The fiscal year 1983 budget request for the Department of Justice reflects an increase of $170,392,000 over the level anticipated for fiscal year 1982. Included in the request are personnel reductions in the Antitrust Division, the United States Marshals Service, the Federal Bureau of Investigation, and the Drug Enforcement Administration. This request includes $58,735,000 for the reception and care of Cuban and Haitain aliens—an activity recently transferred to the Immigration and Naturalization Service from the Department of Health and Human Services. The remainder of the increase is comprised of uncontrollable increases. No major program increases are requested.

While increases have been provided the Department in recent budgets, it should be noted that program and personnel reductions have nevertheless been required. Recent testimony before the Committee by the Attorney General and other Department witnesses indicates a severe adverse impact on investigative and prosecutorial activities if forced to operate at 1982 spending levels into fiscal year 1983. In addition, the

Committee notes with concern the number of Federal penitentiaries that are now over capacity. The Committee anticipates that all elements of criminal justice activity—including the courts—will thoroughly be reviewed to assure that resources are sufficient.

Once again the budget for the Justice Department assumes the termination of the juvenile justice and delinquency prevention program, the U.S. trustee program, and the State and local drug grant program—all of which have enjoyed wide support in the Congress.

The Legal Services Corporation has requested $265 million for fiscal year 1982. The President, again, has submitted an alternate recommendation that funding for the Corporation be terminated. Fiscal year 1982 funds for the Corporation were reduced 25 percent below 1981 funding levels. Any proposal to further reduce legal assistance provided the poor will be evaluated fully.

CREDIT ACTIVITIES

The budget again includes a number of proposals to limit the availability of Federal credit. With two exceptions, the Committee has supported inclusion of such language in the appropriations bill. The Small Business Administration must be able to respond in a timely and expeditious manner in the event of a disaster. For this reason, the Committee believes that it is inappropriate to cap the amount of disaster lending. The Committee also did not approve the request for a limitation on the Federal ship financing fund. This program has recently been extended to shoreside fishery facilities and there is no accurate estimate of demand. Consequently, the Committee is concerned that the limitation of commitments could severely hinder the growth of shoreside facilities.

Although the Committee has generally supported limitations on credit activities, it has also supported the maintenance of most SBA guarantee programs at the full amount authorized. For this reason the requests for limitations on SBA guarantee loan programs, pollution equipment guaranty fund, and the proposed elimination of the direct loan program and surety bond guarantee fund will be reviewed to determine consistency with congressional intent.

SUMMARY

The minimum amount that the Committee believes is necessary to provide for agency operations at current levels in fiscal year 1983 is $9.4 billion in new budget authority ($10 billion in outlays). This is roughly equivalent to the amount that CBO projects is necessary, assuming current policy is maintained. The outlay number differs in that CBO has failed to take into account a function recently transferred from the Department of Health and Human Services to the Immigration Service.

TRANSPORTATION

Spending decisions made toward a healthy national transportation system will contribute substantially to the revitalization of America's economy. The economical delivery of goods and services helps to lower costs for both producers and consumers, while opening otherwise unavailable markets to broader competition. Transportation affects the daily lives of all Americans—as passengers, consumers, employees, shippers, and investors. Transportation influences population distribution; economic development; the shape of cities; energy consumption; the balance of trade; business and farm access to markets and materials; the ability to meet national emergencies and the pace, style, and quality of life. Internationally, transportation is the connecting link which permits the exchange of goods and people among the nations of the world. Each year the United States spends about 20 percent of its gross national product on transportation, while one out of eight persons in the labor force is employed directly in some aspect of transportation. With our national defense, energy policy, and overall quality of life depending so heavily on transportation, it becomes increasingly important that we strive to increase productivity in transportation, eliminate waste and duplication, and prevent deterioration of our existing facilities. Prudent decisions in the transportation sector can thus form a keystone to the Nation's efforts to get the economy moving again.

Congress can be expected to continue its initiative to replenish the capital assets of the Coast Guard. The budget request appears seriously deficient in this regard. There is also increasing concern that the growth of Coast Guard responsibilities has severely restricted its abilities to properly respond to its most basic missions. The findings of the roles and missions study may affect the Coast Guard's funding requirements.

The President's proposal to eliminate the CAB section 406 airline subsidies in favor of the section 419 program for essential air service can be expected to be approved. Turning to the FAA, the level of need for grants for airport construction must be weighed against the prospect for enactment of legislation which would defederalize certain airports. In a similar vein, the proposal to increase spending for FAA facilities and equipment is closely tied to the prospects for aviation user fee legislation and the outcome of the debate over the future of the national airspace system.

The fiscal year 1982 limitation of $8 billion on the Federal-aid highway program is scarcely adequate to keep up with program requirements. The impact of more fuel-efficient vehicles and reductions in annual per-vehicle miles traveled must be weighed along with the continuing depletion of the trust fund balance. Priority may be given to curbing the deterioration of existing roads and bridges. There is a need to address the necessity for a network of secondary roads and bridges that funnel the productivity of our farms and factories into the major rail lines, waterways, and interstate highway systems. Possible increases in motor fuel and other highway user taxes cannot be divorced from program spending levels. In addition, it must be remembered that about $500 million in salaries and thousands of jobs are created by each $1

billion of highway spending. Furthermore, the Federal commitment to fund in excess of $5 billion of interstate transfer grant projects over the next few years is not being adequately addressed by the budget proposal to spend only $150 million for the highway portion and $400 million for the transit portion of these projects in fiscal 1983. This only serves to increase spending needs in future years, at inflated construction costs.

The Congress can also be expected to maintain its commitment to a truly nationwide rail passenger system. Those programs directed toward the retention of local rail service can also be expected to receive priority, since the availability of adequate freight railroad service of our Midwest and Northeast is absolutely essential to the revitalization of our economy. In addition, potential contingent liability for settlements of railroad litigation could exceed $600 million in outlays.

The full Federal commitment to equitable urban and rural mass transit systems can be expected to be retained by Congress. These transit systems are vital to the economy: Federal operating assistance has been built into the economics of existing systems and cannot be rapidly terminated without serious dislocations. High priority construction, renovation, and other projects which can be expected to stimulate the economic recovery, provide for the continued viability of our cities, and maintain existing transit properties in good operating order will be given consideration.

In a number of agency budgets, it can be anticipated that those projects identified last year as having priority will continue to receive favorable consideration. This is especially so in areas which address safety matters, where the cost of acting is far less than the cost of increased accidents.

Treasury, Postal Service, and General Government

Based on a preliminary review of the departmental and agency budget requests which come under the jurisdiction of the Treasury, Postal Service, and General Government appropriation bill; the Committee recommends the following general tentative budget estimates by title. It should be noted at the outset that the Committee has not had the benefit of oversight hearings on the fiscal year 1983 budget requests of the Treasury Department, the Executive Office of the President, the Postal Service, or the various independent agencies which come under the Committee's review, nor has the Committee performed an in-depth analysis of the actual resource requirements of these agencies.

Nevertheless, the Committee has made some tentative decisions on the total amount of appropriations that will be necessary to fund these important activities next year. In doing so, the Committee has examined and considered the President's fiscal year 1983 budget estimates and total fiscal year 1982 requirements for the activities under the jurisdiction of the Committee, including: 1982 appropriations enacted to date; the level of funding contained in H.R. 4121—the Treasury, Postal Service, and General Government appropriations bill, 1982—as considered by the Senate on December 14; and pending supplementals for fiscal year 1982.

The following table reflects the Committee's tentative recommendations by title, showing fiscal year 1982 enacted to date plus pending supplementals:

[In millions of dollars]

Title	1981[1]	1982[2]	President's 1983 request	Committee recommendation	1982 (+ or -)	President's 1983 request (+ or -)
Title I	$3,834	$3,920	$4,264	$4,296	+$376	+$32
Title II	1.343	834	500	700	-134	+200
Title III	93	79	90	80	+1	-10
Title IV	5,046	5,316	5,617	5.543	+227	-74
Total	[1] 10,317	[2] 10,149	10,471	10,620	+471	+150

[1] Actual enacted.
[2] Enacted to date, including pending supplementals.

The following table reflects the Committee's tentative recommendations by title, showing fiscal year 1982 levels as contained in H.R. 4121 as considered by the Senate on Decemoer 14, plus pending supplementals:

[In millions of dollars]

Title	1981[1]	1982[2]	President's 1983 request	Committee recommendation	1982 (+ or -)	President's 1983 request (+ or -)
Title I	$3,834	$3,972	$4,264	$4,296	+$325	+$33
Title II	1.343	834	500	700	-134	+200
Title III	93	82	90	80	-2	-10
Title IV	5,046	5,345	5,617	5,543	+198	-74
Total	[1] 10,317	[2] 10,233	10,471	10,620	+387	+150

[1] Actual enacted.
[2] H.R. 4121 levels as considered by Senate December 14, plus pending supplementals.

ESTIMATED OUTLAYS ASSOCIATED WITH COMMITTEE RECOMMENDATION

The following table indicates the estimated outlays associated with both the President's fiscal year 1983 budget request and the Committee's recommended level of funding for next year by title and in the aggregate:

[In millions of dollars]

Title	President's 1983 request[1]	Committee 1983 recommendation	Difference President vs. Committee
Title I—Treasury:			
Budget authority	$4,264	$4,296	+$32
Outlays	4,188	4,220	+32
Title II—Postal:			
Budget authority	500	700	+200
Outlays	500	700	+200
Title III—Executive Office of the President:			
Budget authority	90	80	-10
Outlays	87	77	-10
Title IV—Independent agencies:			
Budget authority	5,617	5,543	-74
Outlays	5,480	5,408	-72
Total:			
Budget authority	10,471	10,620	+150
Outlays	10,255	10,405	+150

[1] Represents President's budget authority and outlay estimates.

The Congressional Budget Office has projected that new budget authority will exceed the President's estimates by $314,062,000 in fiscal year 1983 and that outlays will exceed the President's estimates by $376,242,000 in fiscal year 1983.

The major portion of difference between the President and CBO is in the estimates for the 1983 requirements for payment to the civil service retirement and disability fund (+$314,062,000 in budget authority and outlays over the President's estimates) and the Federal buildings fund in GSA (+$42,026,000 in outlays over the President's estimates.

TITLE I—TREASURY DEPARTMENT

The Treasury Department performs vital governmental functions such as collecting revenues, enforcing laws at our borders and ports of entry, accounting for public moneys, administering the public debt, minting coins, and printing currency as well as other law enforcement and administrative functions.

The Committee continues to believe that any significant reductions in key Treasury agencies, particularly in law enforcement and revenue collection activities, could have serious, long-term adverse effects on fundamental Government operations and our ability to combat crime. For example, a failure to sustain adequate funding for the U.S. Customs Service, the U.S. Secret Service, and the law enforcement elements of the Internal Revenue Service could result in a diminished drug interdiction program, a reduced level of protection for the President and other protectees, and a loss of revenue to the Federal Treasury. Therefore, although the Committee is confident that reductions can be made in the Treasury Department budget in fiscal 1983, it cautions against proposing cutbacks in those agencies and programs within Treasury where the cost benefit ratio is high and the social payoff the greatest, at least until hearings can be held to determine where appropriate economies, if any, can be made or where possible augmentation may be required.

TITLE II—POSTAL SERVICE

The Postal Service subsidy appropriation is currently broken down into two major categories: appropriations for public service costs and appropriations for revenue foregone or free or reduced rate mail. Appropriations for certain transitional expenses including unfunded liabilities of the former Post Office Department were deferred under provisions of the Omnibus Reconciliation Act. Appropriations for public service are authorized to provide for reimbursement to the Postal Service to assure a maximum degree of effective and regular postal services nationwide, in communities where post offices may not be deemed self-sustaining. Appropriations for revenue foregone are made to cover that revenue lost by the Postal Service as a result of providing mail service to newspaper and magazine publishers, shippers of books, records, and other special fourth class mail, and certain nonprofit organizations at a reduced rate.

Although the Committee has not had the benefit of regular oversight hearings on the issue of the adequacy of the Postal Service subsidy budget for fiscal 1983, a preliminary evaluation of the President's budget request indicates that the elimination of the public service subsidy and a sharp cut in the appropriation for free and reduced rate mailers could have a detrimental effect on both postal services to smaller communities and the amount nonprofit organizations and other affected subsidized groups will have to pay for mail service in fiscal 1983. For example, the level of funding proposed in the President's budget would, for the first time, force nonprofit and other subsidized mailers to pay more than the full step 16, nonprofit rate of mail and begin to pay a portion of the overhead costs of the Postal Service.

Nevertheless, the Committee will need to hold hearings to determine exactly what effect such a reduction in the Postal Service budget will have on both rates and postal services.

TITLE III—EXECUTIVE OFFICE OF THE PRESIDENT

The Committee recognizes the importance of the small but crucial agencies and offices funded under this title and the key role they play in assisting the President and the executive branch. The Committee also recognizes that these offices are staff intensive, with any reductions normally resulting in actual personnel cutbacks. However, the Committee's initial review of the budgets under this title indicates that some small reductions can be made but judgment should be reserved on the actual extent of such reductions pending further examination in the course of regular budget hearings this spring.

TITLE IV—INDEPENDENT AGENCIES

Title IV of the Treasury appropriation bill contains funding for approximately 10 different independent agencies including the General Services Administration (GSA), the Office of Personnel Management, the Federal Election Commission, the Merit Systems Protection Board, the Federal Labor Relations Authority, the U.S. Tax Court, and a num-

ber of other small but important independent commissions, committees, and panels. This title also includes both the Government payment for annuitants, employees health benefits, and the payment to civil service retirement and disability fund, which, collectively total over $4.941 billion in fiscal year 1983. These nondiscretionary entitlement payments constitute over 88 percent of total funding provided in title IV of the bill.

The General Services Administration, with a budget of over $500 million in fiscal 1983, is the largest independent agency funded in this bill and has by far the most impact on the administrative tasks and functions that are essential to the operation of the Government. The Committee notes that the budget for GSA has been sharply reduced since fiscal year 1981 when $702.8 million was appropriated for General Services Administration activities. Total combined funding for GSA in fiscal year 1982, including supplementals, will total less than $460 million.

At the same time, the Committee notes that this beleaguered Government agency continues to suffer from pockets of mismanagement and waste in a number of key program areas, particularly the Federal buildings construction and repair programs. The Committee also believes that the amount of leased office space occupied by Government agencies must be sharply reduced in fiscal year 1983 in order to avoid the skyrocketing cost of leased space projected for next year. Therefore, although the Committee is aware of the important general government functions that GSA performs, it believes that economies are still possible within the GSA budget for fiscal 1983. Hopefully, oversight hearings in the next new months will reveal exactly where such savings can be made without jeopardizing essential Government services.

GENERAL GOVERNMENT SAVINGS

The Committee continues to believe that significant general government administrative savings can be achieved in fiscal year 1983 and urges the Budget Committee to incorporate such savings into its budget assumptions for fiscal 1983. Last year, the Committee recommended that general government savings of $3.9 billion be applied across the appropriate budget functions, in such areas as Government travel, consultant services and contracts, audiovisual and filmmaking, public relations, public affairs, advertising and through more aggressive and efficient debt collection efforts by the executive branch.

The Committee is pleased to note that the President has been able to reduce travel by civilian Government agencies by $150 million below the amount requested for travel in the January 1981 budget in the current fiscal year, and to cut consultant services by $320 million. The Committee also applauds the President's fiscal year 1983 goals of reducing travel by $200 million, further reducing consultant services in 1983, cutting back on unnecessary audiovisual products and publications, and reforming Federal Government procurement practices. However, the Committee believes that a specific, dollar-saving "target" should be established early in the fiscal year 1983 budget process, beginning with the first budget resolution for 1983, for savings in these and other key,

general government activities, and that this savings target should be incorporated directly into the budget assumptions for next year. With the President's Council on Integrity and Efficiency in full operation and the agency Inspector General's offices staffed and well-established, the Committee believes the level of savings recommended in fiscal year 1982—$3.9 billion—in the areas mentioned above is a realistic and achievable goal to set in fiscal year 1983 as well.

A report by the General Services Administration's Transportation and Public Utilities Services (TPUS) to the ranking minority member of the Subcommittee on Treasury, Postal Service, and General Government in October of 1981 indicated that perhaps hundreds of millions of dollars could be saved annually through more efficient operation, management, and procurement within the Federal motor vehicle fleet. The report indicated that the Federal Government spends in excess of $1.1 billion a year on the operation and maintenance of the Federal fleet, which currently totals over 445,000 vehicles. The cost to operate and maintain the Federal fleet has grown from $141 million in 1954 to over $1.1 billion in 1980, an eight-fold increase in the cost of the Federal motor vehicle fleet. The Committee believes that savings of $100–$150 million could be achieved in fiscal year 1983 through tighter control of motor vehicle operations by individual agencies and departments and through more effective use of the GSA motor pool system. The Committee hopes that savings of this magnitude will be incorporated into the Budget Committee's assumptions for fiscal year 1983.

The Committee looks forward to working with the Budget Committee to achieve these and other economies by establishing a specific target for such savings in budget resolutions and making actual appropriations reductions in regular appropriations bills.

ADDITIONAL VIEWS OF SENATOR HUDDLESTON

The section of the Committee report on the Department of Housing and Urban Development-Independent Agencies indicates that the Committee cannot predict whether or not new housing programs will be developed. I think several points need emphasizing. First, the HUD request for fiscal 1983 is almost $20 billion below the fiscal 1982 appropriations bill, principally because of a reduction in housing programs. Second, there is no housing production/construction program in the fiscal 1983 budget, and much of the 1982 activity is being curtailed. Third, efforts are underway in both the House and Senate authorization committees to develop new housing stimulus programs. On March 17, for example, Senator Lugar, chairman of the Housing and Urban Affairs Subcommittee, along with 19 cosponsors, including myself, introduced an interest subsidization bill.

With the housing industry in the depressed state that it is, with interest rates unlikely to fall significantly in the near-term, and with the impact that the depressed state of the housing industry has on related industries, I think it is unrealistic to believe we can move into fiscal 1983 without some action to assist the housing sector.

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